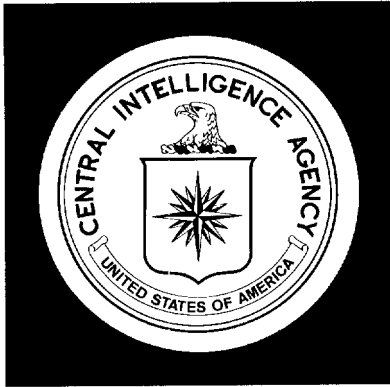


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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A Deadline Comes and Goes

Hanoi mounted an intense propaganda campaign in the wake of its 26 October revelations about the peace negotiations. Charging that it was a "mockery of truth" to assert that President Thieu could stand up to US pressure, Vietnamese Communist pronouncements demanded that the US sign the agreements on 31 October and asserted that any delay in the signing would be on Washington's head. At the same time, both Hanoi and the Viet Cong exhorted Communists North and South to keep up the struggle and to be ready for anything.

Nowhere in this outpouring did the Communists say what would happen if the US did not meet the deadline, but there were a few hints that Hanoi's position was more flexible than it appeared. North Vietnamese spokesman Nguyen Thanh Le, for example, dodged reporters' questions when they asked him on 27 October what Hanoi would do if the deadline passed without a signing. A second North Vietnamese spokesman said [redacted] that Hanoi would be satisfied with an initialing of the agreement on the 31st and that the signing itself could occur after the US elections. Hanoi, he claimed, would be willing to do some renegotiating in the interval.

When it became apparent that the deadline was not going to be met, all Communist talk of deadlines ceased. The Viet Cong press spokesman in Paris issued a statement on 31 October that criticized the US for not signing, but said no more than that the US must respect the text of the accords and sign them as soon as possible. Communist media are now concentrating on the theme that the US is responsible for prolonging the war.

The Line from Moscow and Peking

All this time, Hanoi was getting no backing on the deadline question from its two big allies. In other respects, however, the Soviets and Chinese differed from each other in several ways.

The Soviets issued pro forma statements of support for Hanoi's general position, but Moscow was concerned mainly that a settlement not be derailed over relatively minor matters. According to TASS, Kosygin's principal message on 27 October was that the negotiations should continue. TASS also singled out Dr. Kissinger's statement that the issues still to be decided are less important than those already settled. Moscow stuck to this line as the days passed, although its comments grew more muted as the deadlock persisted.

Peking, in contrast, made no direct mention of renegotiation in Paris. In a government statement on 30 October and a *Peoples Daily* on 2 November, the Chinese backed Hanoi's contention that an agreement was ready for signature and that Washington was to blame for any delay. Peking's comments implied that Hanoi was responsible for the breakthrough in the negotiations and that the US was stalling with its talk of difficulties in Saigon. This, the Chinese charged, amounted to a "pretext" that belied the client nature of Thieu's relationship with Washington. The Chinese, however, were careful on this and other occasions not to imply that the negotiations were at an impasse or that further discussions should be ruled out. Their somewhat closer approximation of the North Vietnamese position seems designed with an eye as much to Moscow as to Hanoi.

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Saigon Sounds Off

The Thieu government, backed by many demonstrations of popular backing and armed with statements of support from the supreme court and the National Assembly, is also mounting a propaganda campaign, which is growing more intense. Three special emissaries have been sent out to explain Saigon's position to potentially sympathetic Asian governments, and, in a speech on 1 November, Thieu reiterated his criticism of the announced terms of settlement. As in his earlier statements, Thieu avoided explicit criticism of the US. He charged that the Communists had put forth a peace agreement "fraught with perfidy and treachery." He stated once again his opposition to any agreement that

does not provide for the withdrawal of North Vietnamese troops from South Vietnam, fails to recognize South Vietnam as a separate country distinct from the North, and does not provide for the right of self-determination of the South Vietnamese people.

Along with the rhetoric, however, the Saigon government is warning the populace that there may soon be an end to the fighting. Radio Saigon declared on 29 October that everyone understands that "a cease-fire is only a matter of time and that it will come...possibly in a few weeks." The army radio has also implied that a cease-fire was near, asserting that this would mean a complete Communist defeat.

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JAPAN: NEW SPENDING

The cabinet has proposed a supplementary spending bill of \$3.7 billion during the fiscal year ending 31 March 1973. The bill is intended to speed recovery from the recent economic slowdown and help reduce the trade surplus by raising demand for imports. If passed by the Diet, the new spending would come at a time when the rate of growth is accelerating, while its impact on imports would not be felt for some time.

The proposed expenditures are substantial. If approved, they would boost government outlays during this fiscal year more than 25 percent above the previous year's level. Spending of this magnitude would aggravate Japan's incipient inflation. Noting that both wholesale and consumer prices rose at an annual rate of about ten percent during the August-September period, the governor of the central bank has called for fiscal restraint, and the Ministry of Finance has ex-

pressed apprehension over larger expenditures. These considerations may lead the Diet to trim the bill.

With elections expected this winter, however, Diet members are aware that the new money would be earmarked for a variety of objectives that appeal to important voting blocs. Spending would go into government salaries, transfers to local governments, payments to rice producers and a variety of loans and investments.

Increased government spending would add fuel to a recovery that already is well under way. The growth of real gross national product, which slipped to about six percent during the recent economic slowdown, is accelerating even faster than Tokyo had expected. During the first half of 1972, industrial production was up about 8.5 percent from the same period last year and the pace is increasing.

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USSR: HAMMER AND SICKLE IN BAD YEAR

Moscow can only have been disappointed in the performance turned in by Soviet industry and agriculture during the third quarter of this year. Although industrial production improved slightly in the period, output is estimated to have grown by only five percent from January through September over the comparable period last year—the lowest nine-month growth rate for industry since 1969. A *Pravda* editorial stressed that Soviet industry will have to accelerate production in the next two months if the industrial output plan for 1972 is to be met. As a result of a severe winter and summer drought, the grain crop this year will be at least ten percent below last year, and harvests of other important crops such as fodder, potatoes, and sugar beets will be poor.



SOVIET INDUSTRIAL GROWTH (Percentage rate Jan through Sept)				
	1969	1970	1971	1972
Over-all Industrial Production*	5.2	6.7	6.2	5.1
Industrial materials	3.6	6.6	6.0	5.3
Machinery	10.4	8.8	9.0	7.6
Consumer non-durables	3.1	4.9	3.9	1.9

*Excludes military-space production

Within the industrial sector, output in the machinery category—which excludes military-space hardware items—continued to grow faster than industrial materials or consumer non-durables. The production of most machinery items, however, failed to match last year's increases with the notable exception of agricultural equipment and television sets. The growth in production of industrial materials was also down somewhat from the pace in 1971.

The production of consumer non-durables failed to live up to the promises made by Brezhnev at the beginning of the current five-year plan. Production of processed foods rose at a rate comparable to that in 1971, but at only half the rate required to meet the ambitious goal of the 1972 plan. Moreover, the impact of the poor harvest in 1972 will be felt in the food industry, possibly by the end of the year. The growth rate of soft goods output—clothing and shoes—lagged far behind last year's and even further behind that necessary to reach the 1972 target.

Problems continue to plague the agricultural sector. By mid-October, state and collective farms still had not threshed about eight percent of the total area sown to grain. Significant areas in the European part of the RSFSR and in the Ukraine probably have been abandoned or used for grazing, and the arrival of winter weather in Siberia and the Urals may have caused considerable losses there. Continued uncertainty over the size and quality of the grain harvest may result in further Soviet imports before the 1973 harvest. In fact, recent reports are that international grain company representatives are in Moscow now, possibly negotiating additional grain contracts.

Meanwhile, the 1973 grain crop is off to a bad start. As the fall sowing campaign came to an end, only 75 percent of the planned area had been sown to winter grains—which usually contribute about 40 percent of total grain production—a record shortfall. The lack of soil moisture in some areas hit by the summer drought prevented fall seeding. As in 1972, the barren areas will have to be resown next year with lower yielding spring grains.

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USSR-CHILE: DISTANT RELATIONS

The Soviet civil airline, Aeroflot, will inaugurate regular weekly service to Santiago via Rabat, Havana, and Lima on 4 November. The new service and a large Soviet industrial and agricultural exposition now in Santiago are the most recent signs of Moscow's interest in Chile since Marxist President Salvador Allende took office two years ago.

Aeroflot had sought Latin routes beyond Cuba for a long time, presumably for political reasons. At least the long hauls to and from Latin America with well-below-capacity loads look like certain money losers. But the Soviets seem to be angling for more. At present, Lima is only a refueling stop, but Aeroflot is seeking Peruvian permission to take on and discharge passengers as well.

Moscow may also try to arrange stops along South America's east coast to lessen travel time to Chile from Rabat.

The Soviet exposition in Santiago opened on 26 October and will run until 21 November. It reportedly includes exhibits by two dozen Soviet enterprises, and Soviet commercial counselors stationed in several Latin American countries are on hand to facilitate sale of the wide range of goods on display. There is no Soviet military representation at the fair, and no military hardware is being offered.

Despite these signs, Moscow and Santiago remain cautious of each other. For their part, the Chileans have used only a small portion of the \$169 million in new credits that the Soviets extended last July. In fact, Santiago still has not used some Soviet project loans proffered as far back as 1967. Most of the items offered for export by Moscow are not really needed in Chile, and Santiago apparently does not want to become so dependent on Moscow that its Western ties

would be further reduced. Recently, however, when such foreign capital became scarce, Chile did begin to make small drawdowns on Soviet credits.

Soviet media have been paying greater attention to Chile in recent weeks. The articles are uniformly pro-Allende, but the Soviets scrupulously avoid promising anything more than moral support.

ANDREOTTI AND THE COMMUNISTS

Prime Minister Giulio Andreotti's trip to Moscow last week provided the Soviets with an opportunity to level sharp criticism at Italian foreign and domestic policies. Rome's decision to permit homeporting of a US submarine tender off Sardinia—a policy already under attack by Italian Communists—came under especially heavy fire in Moscow. Foreign Minister Medici said the talks were marked by a "frankness" that "could not always be pleasant—either for one party or the other."

Moscow doubtless coordinated its position with the Italian Communist Party in advance.

The Soviets claimed that talk of detente contrasted with the Italian lease of a base to the

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US and maintained that this would allow nuclear submarines to dock at La Maddalena off the northern tip of Sardinia. Premier Kosygin was unimpressed by Andreotti's explanation that only a military repair facility was involved and observed that the arrangement "might force the Soviets to reconsider their position on such matters in the area concerned."

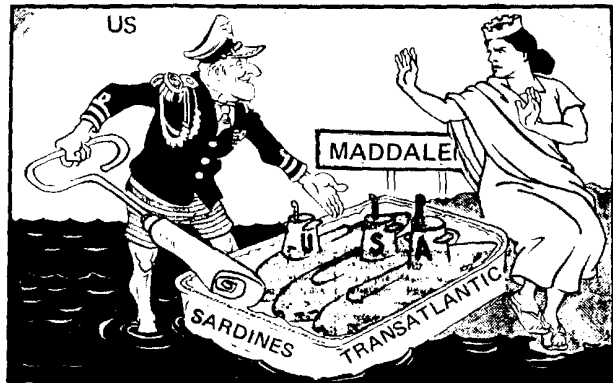
Turning to the European Communities, Kosygin attacked "closed groups in Europe." He declared the Soviets could not tolerate the discrimination against socialist states that would result from a unified EC commercial policy. The Soviets said they expected to continue to make bilateral commercial deals with individual countries rather than negotiate with the Communities as a unit.

On domestic Italian affairs, Kosygin took Andreotti to task for the recent terrorist bombings of trains carrying Communists to a national labor rally. Kosygin echoed accusations by Italian labor leaders that neo-fascists were responsible, allegations that have not yet been proved.

Rome and Moscow did manage to agree to a protocol calling for periodic consultations between Soviet and Italian leaders. There were fairly detailed discussions of the Conference on Security and Cooperation in Europe and the Mutual and Balanced Force Reduction talks. A long-term trade agreement was envisaged in economic discussions, but no conclusion was reached.



Andreotti and Kosygin



But see what nice fish!

Pravda

Andreotti returned home to face more trouble from the Communists. The party is forcing a Senate test on the homeporting question early this month. The Communists are likely to emphasize that, heretofore, the nearest repair facility for American submarines was the Spanish port of Rota in the Atlantic.

The government's majority in the Senate is both narrow and fragile. The neo-fascist Italian Social Movement may give Andreotti a margin of victory on this question but, if so, the vote will antagonize the Social Democrats or the Republicans and might prompt one or the other to resign from the governing coalition. It could not survive the defection of either party.

A characteristic of Andreotti's nine-month tenure has been a more assertive attitude in foreign affairs in contrast to the preoccupation with domestic affairs of most postwar Italian governments. In addition to the trip to Moscow, the new approach shows up in Rome's discussions of the southern Mediterranean with Malta and Libya and in the serious pitch Rome is making for a permanent seat on the UN Security Council. Rome has pushed with considerable success for the use of Italian as an official language at the Conference on European Security and has won a part-time role in the force reduction talks as a "flank" state, sharing a post with Turkey and Greece. To some extent, the government will be testing the popular appeal of this more active international role in the approaching Senate debate.

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YUGOSLAVIA: KISSING THE HAND

Party leaders have swallowed their misgivings and endorsed Tito's purge. It is now apparent that he is not just reshuffling personnel but is making drastic changes in power balances and in the party's operating style. Since this involves a re-centralization of power, the task will be painful, difficult and protracted.

On 30 October, the purge expanded not only beyond Serbia, but beyond the party itself. Tito summoned the full party presidium to his summer home on the island of Brioni. During this meeting, each of the regional party bosses admitted to errors in his bailiwick and promised to follow through on Tito's program for tightening discipline. They completely accepted his reasons for purging the Serb leaders two weeks ago and backed his demands for substantial changes throughout the party. Tito warned against any shrinking from the housecleaning he is embarked upon, and he expressed confidence that the new

Serb leaders will not shrink from their pace-setting task.

As part of the housecleaning, Tito said that the party must bring in more young people and workers. The elevation of two representatives from the generation of post-war Communists, Tihomir Vlaskalic and Nikola Petrovic, to the top posts in the Serbian party is an example of what Tito wants. Similar changes in other regional organizations can be expected. Plenums are scheduled for late this week in Kosovo and Vojvodina, where the provincial parties, closely tied to the Serbian apparatus, have yet to take action on Tito's various demands for change.

Belgrade is showing concern over the effect of the purges on Yugoslavia's image abroad, particularly in the West. Tito indicated at the presidium meeting that he does not want heads to roll indiscriminately. Another speaker denied that the purge would affect Yugoslavia's policy of nonalignment. This latter statement was probably meant to forestall any thoughts abroad that foreign minister Tepavac's resignation signified a shift in Yugoslav foreign policy. The US Embassy in Belgrade foresees no such shifts.

While no open opposition to Tito's moves has developed, his precipitous attempt to reorient the party will prove worrisome for his lieutenants. He has engineered two regional purges in less than a year. These have demoralized a large number of party members, and public acts of self-contrition by those purged have, in effect, lessened public esteem for the regime. Tito will need time to put together a new team and straighten out the precise relationship between regional and federal party organizations and the relationship of both to non-party bodies. The big question now is whether Tito at age 80 has the time left to get it done.

Marko Nikezic



PROMINENT PURGE VICTIMS

Marko Nikezic, Serb party boss, Presidium member
 Latinka Perovic, Nikezic's deputy, Presidium member
 Bora Pavlovic, Belgrade party boss, Presidium member
 Krste Miloslavlevski, Macedonian party secretary, Presidium member
 Stane Kavcic, Slovenian premier, Presidium member
 Mirko Tepavac, foreign minister
 Frane Barbierr, editor of *Nin*, Belgrade's most influential weekly
 Aleksandar Nenadovic, editor of *Politika*, influential daily
 Veroslava Tadic, political editor, Belgrade TV

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BRITAIN'S ECONOMIC PROBLEMS

Britain is enjoying its most rapid economic growth in recent years, but serious inflation, labor unrest, and a wobbly pound are obstacles to continued progress. The government has yet to implement policies that will both sustain growth and allow smooth integration into the EC in January.

Expansionary budgets in fiscal 1972 and 1973 have increased the level of economic activity in Britain. Substantial cuts in individual income taxes and sales taxes have spurred a rapid rise in consumer spending. Compared with an average annual growth of 1.9 percent in 1969, 1970 and 1971, real gross domestic product probably will rise by about 3.5 percent this year.

Private investment, however, has been disappointing. Manufacturing investment in the first half of 1972 was 7 percent below the comparable figure for the second half of 1971, and the share of gross private fixed investment in gross domestic product—9.8 percent—is among the lowest in Western Europe. Moreover, the faster pace of economic activity has been accompanied by continued wage and price inflation. Retail prices, after falling steadily during the summer, have again accelerated, reaching a 7.6-percent annual rate in September, and wage costs continue to rise at about ten percent annually. Progress toward voluntary wage-price restraints has been slow, and even if a settlement is reached, the outlook for successful implementation is dim. Several large unions have already indicated that they will refuse to abide by any such agreement.

Speculation that Prime Minister Heath may move to impose statutory controls is mounting. Such measures would be out of step with Heath's economic philosophy, but he may be forced to impose them as the only way to avoid a disastrous wage-price spiral. The Confederation of British Industries has stated that it will not extend its voluntary price restraints unless the unions accept some form of restraint on wages. Without these restraints, price inflation would be likely to surpass the 9 percent rate of 1971, with serious consequences for the competitiveness of British exports.

Uncertainty over the outcome of the anti-inflation talks has apparently heightened the nervousness in foreign exchange markets over London's ability to survive the cold shower of competition in the EC. The value of the pound has fallen sharply, down to \$2.34 on 31 October. The sell-off was orderly for the most part, but hectic enough at times to require limited intervention by the Bank of England. A persistent rumor, initiated by a West German financial publication, that the pound would be repegged at \$2.25 contributed to the decline, as did the \$700-million trade deficit posted in the third quarter. The EC would like to see the pound repegged by the time the UK enters the Community, but not at the low levels reached in late October. British officials are likely, however, to delay setting a new rate, perhaps past 1 January, partly in the hope that the pound will recover in the meantime.

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IRELAND: GAINS AND LOSSES

As the date of actual entry into the EC approaches, concern is mounting in Ireland about the economic benefits to be realized from membership. Expecting that free access to the EC market would enhance Ireland's attractiveness to foreign investors, Dublin has long counted on the establishment of foreign plants to alleviate its serious and chronic unemployment. Some observers now believe that the continuing rapid wage increases will erode the international competitiveness of Irish goods and scare away needed investment.

Ireland's recent economic performance has been disappointing. Real gross national product rose by only 1.5 percent in 1970 and less than three percent last year. Per capita gross national product, which was about \$1,600 in 1971, is among the lowest in Western Europe, and the unemployment rate has reached eight percent.

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SECRET**Annual Rates of Wage Increase (in %)**

	1968-70 Average	1971
Ireland	12.5	16.0
Netherlands	9.3	12.9
Belgium	7.5	12.4
Italy	11.0	11.7
France	11.4	11.3
United Kingdom	8.0	10.5
West Germany	7.8	7.9

The government hoped that Irish access to the large EC market would spur growth by providing greater incentives for production and investment. In particular, it was hoped that non-EC, especially US, firms would be attracted by Ireland's low wage scales and its new position inside the EC's tariff wall. The need for investment from additional sources has been accentuated by a sharp drop in British investment in the wake of the troubles in Northern Ireland. The incomes generated in Ireland by foreign firms' activities were anticipated as a major stimulus to economic growth.

Wage increases have lately been far in excess of those in other EC countries, seriously eroding Ireland's chief advantage of low wage costs. Many commentators fear that Ireland may be pricing itself out of the market for foreign-financed industrial investment, especially in view of the increasing competition for such investment elsewhere in Europe. Ireland is still a low-wage area, but potential investors, who must consider future as well as present wage levels, will be wary of investing heavily in an area where annual wage hikes have been running at 13 to 16 percent.

Dublin, although expressing concern, has not taken remedial action. A National Pay Agreement, signed in July, ostensibly was designed to slow inflation and reduce labor strife. The agreement included provisions for industrial pay increases averaging 12 percent. Barring unlikely increases in productivity, the higher wages will boost unit labor costs by seven to nine percent, thus cutting into the competitiveness of Irish goods. Any attempts by the Irish Government to curb wage inflation, however, would be extremely difficult without the cooperation of labor and overwhelming pressure from consumers. [REDACTED]

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EUROPE AND SPACE: STILL HOLDING

After a series of delays, the European Space Conference will finally meet on 8-9 November to consider a possible European role in the US post-Apollo program. The US had asked for a decision by the end of October, but disagreements among the European states forced the cancellation of a ministerial session scheduled for last week. The major dispute is between the West German preference for post-Apollo cooperation and the French insistence on developing an independent European space launcher.

Next week's meeting will consider a new German proposal that post-Apollo be treated as a "special project"—thus leaving open the possibility that both programs could receive some form of European endorsement. If this proposal is not accepted, Bonn threatens to withdraw from the European cooperative effort and negotiate a bilateral post-Apollo agreement with the US. Bonn has, however, agreed to contribute to continued studies on a European launcher, thus demonstrating that its main concern is not to kill the European project, but to assure a West German role in the post-Apollo program. [REDACTED]

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Israel-Fedayeen

PRE-EMPTIVE RETALIATION

Israeli aircraft on 30 October bombed four Arab guerrilla bases close to Damascus, the first such action since the bombings of 15 October and Tel Aviv's enunciation of a pre-emptive strike policy vis-a-vis the fedayeen. The raid came less than 12 hours after the West German Government had acceded to the demands of two Black September hijackers of a Lufthansa 727 and released the three Arab terrorists involved in the Munich slayings.

An Israeli spokesman denied the action was directly connected with the prisoner release. The government and public were incensed over what they called Bonn's "hasty capitulation" to the hijackers, however, and the strikes seemed designed to demonstrate that, while other countries might be soft on terrorists, Israel was not. Tel Aviv recalled its ambassador from Bonn and the Israeli parliament passed a resolution calling for "no submission" in dealing with the fedayeen "criminals and murderers."

Subsequently, the Israelis struck again, this time at a Syrian military camp near the northern

Lebanon-Syrian border. This was in retaliation for a Syrian artillery barrage against the Golan Heights, which Damascus had undertaken in response to the Israeli air strikes on 30 October. On 31 October, the Israelis moved more troops, armor, and heavy artillery into the heights, apparently to reinforce troops there and to indicate to Damascus they were ready for any contingency.

These Israeli actions reflect some frustration in dealing with the new Palestinian terrorist tactics, particularly in regard to bringing other countries to act. Israel can readily cope with terrorism along its cease-fire lines, in the occupied Arab territories, and within Israel itself. The problem is with terrorist activities abroad. Last week, for example, Dutch authorities released a Palestinian found to be carrying an arsenal of explosive letter bombs and weapons as well as a half-dozen passports, including an Algerian diplomatic one. Tel Aviv cannot understand such action by the Dutch or Bonn's "surrender" of the Munich prisoners. The Israelis, as a result, see the task of controlling the terrorists as devolving more and more upon themselves, and this reinforces Israel's determination to hit the fedayeen and their Arab hosts wherever and whenever it can.

Israel's selection of Syria over Lebanon as a target is somewhat curious, as the hijackers had organized themselves at Beirut and boarded the aircraft there. The US Embassy in Tel Aviv suspects that the Israelis had wanted to hit the fedayeen in Syria for some time and calculated that strikes in the wake of the hijacking would draw less international criticism.

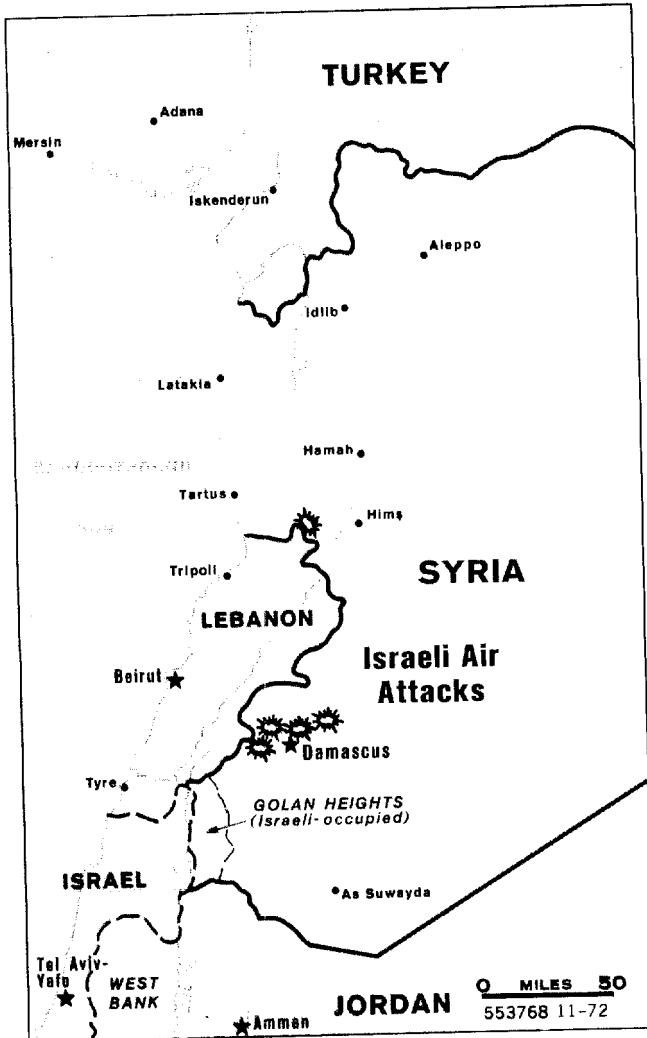
Meanwhile, Libya's lionizing of the hijackers and Munich slayers has drawn special attention in the semi-official Israeli newspaper *Davar*. The day after the prisoner release, *Davar* stated, "the country of destination of the Munich murderers



Three Arab terrorists put aboard jet bound for Zagreb at Munich Airport.

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which will give them shelter... shall in the eyes of Israel become a partner to the Munich murders and as such can expect any punishment." Israel has the capability to strike fedayeen bases in Libya.

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EGYPT-USSR: A WARMING TREND

Top Egyptian officials seem to be pursuing a thaw in their relations with Moscow, in spite of the reservations being expressed by some Egyptians about the wisdom of this course.

Following his visit in mid-October to the Soviet Union, Prime Minister Sidqi painted a bright picture of the improved state of Soviet-Egyptian ties. Speaking to a joint session of the nation's legislature and political organization on 25 October, Sidqi described his discussions in Moscow as having melted "the ice in our relations." Underscoring the scope of Soviet military aid to Egypt, he said, "The Soviet Union is fulfilling and will continue to fulfill all its pledges to consolidate our war potential." Egyptian Embassy officers in Moscow also put a good face on the present state of affairs when they told US officials there that Cairo was satisfied with the results of Sidqi's visit.

[REDACTED] 25X1

[REDACTED] Opposition to a rapprochement would appear serious enough for Egyptian leaders to proceed gingerly. 25X1

The reconciliation process seems likely to continue, however, and the departure of War Minister Sadiq on 26 October may serve to smooth the way a little. His relations with the Soviets were frequently strained. [REDACTED] 25X1

[REDACTED] 25X1
[REDACTED] 25X1
[REDACTED] 25X1

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[REDACTED] Clearly, numerous and serious differences remain, however, including the major issue of sophisticated arms. [REDACTED]

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Prime Minister Sidqi



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EGYPT: DOMESTIC PROBLEMS

The resignation from all his posts of Muhammad Sadiq promises to make President Sadat's life more uncomfortable. Sadiq was one of the most powerful officials in Egypt, holding concurrently the key posts of deputy prime minister, war minister, minister of war production, and commander in chief of the armed forces. He was popular with military professionals and had attracted other followers for his outspoken distaste for the Soviet Union. Sadiq's personal relationship with President Qadhafi of Libya is reportedly excellent. They share a deep animosity toward the Soviets,

Qadhafi's money and influence would, of course, be useful to Sadiq in any comeback bid.

long-standing feud between Sadiq and Prime Minister Sidqi.



Ali

There are as yet no signs that Sadiq is planning countermoves, but the regime is perhaps rightly apprehensive. The chief of the navy, who was considered close to Sadiq, was replaced, and more purges of military figures considered loyal to Sadiq may follow.

No one person succeeded to all of Sadiq's posts. The chief of Egypt's intelligence organization, General Ahmad Ismail Ali, took over as war minister and commander in chief of the armed forces. Ali is considered to be one of Sadat's closest advisers and was a classmate of the President in military school. Ali's loyalty to Sadat, plus his ties to Egypt's intelligence mechanism, could be a source of aid to the President in dealing with the fallout from Sadiq's removal.



Sadiq

These factors may have contributed to Sadiq's unseating, but so did his well-advertised anti-Soviet attitude. Perhaps the fundamental reason was the increasing acrimony in the

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Prime Ministers al-Ayni (Sana) and Muhammad (Aden) confer with Sadat after reaching agreement.

THE YEMENS: AN ODD COUPLE

The prime ministers of the two Yemens, their countries on the brink of all-out war for nearly a month, approved a far-reaching agreement in Cairo on 28 October that provides for the eventual creation of a single Yemen and spells out the terms for a settlement of outstanding differences. The next step will be for the two heads of state, Salim Rubayi Ali, Aden's champion of peasant revolution, and Abd ar-Rahman al-Iryani, head of Sana's traditionalist regime, to meet—probably on 25 November in Libya—to bless the agreement. The two presidents will also appoint committees to draft a constitution and to make specific plans for unification within one year. Before it becomes effective, the new constitution will have to be ratified by Sana's tribally controlled legislature and by Aden's Marxist Peoples' Council and then approved in referenda in both Yemens, surely a lengthy process.

Unity has long been the objective of many Yemenis, but it seems improbable that a true *modus vivendi* can be reached—even in a year—between the ideologically disparate regimes. Both governments would like to see unification take place, but on their own terms and in their own image. The Cairo agreement is probably not so much an expectation on the part of the prime ministers that there will or should be movement toward unification as a device to stop the fighting.

Sana Prime Minister Muhsin al-Ayni and Aden Prime Minister Ali Nasir Muhammad also announced in Cairo that they had agreed to:

- reopen their borders;
- ban terrorist activity;
- return to Sana or Aden those exiles who wish to go home;

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- withdraw troops from territory captured after 26 September;
- close "training camps."

These points are to be implemented within one month, according to the announcement. [redacted]

[redacted] The reference to "training camps" would seem to indicate that al-Ayni has committed Sana to shut down the bases used by the National Unity Front, the umbrella organization of anti-Adeni dissidents whose incursions into Aden from Sana territory in mid-September ignited the recent fighting. The demilitarization of the National Unity Front, if al-Ayni can accomplish it in the face of what will very likely be fierce opposition from the tribesmen and Saudi Arabia, would be a triumph for Aden. Neither Saudi Arabia nor the front has publicly commented on the Cairo agreement.

There are reports that the Sana government now is in disarray. Al-Ayni's supporters defend the unity agreement as necessary. They claim that the military effort to overthrow Aden had bogged down and note that Kuwait, Algeria, and Iraq were pressing for conciliation. Tribal and military leaders in Sana could try—especially if they get Saudi backing—to obstruct implementation of the agreement and any future negotiations with Aden. They might also try to force al-Ayni out of office. Even if he were ousted, it would be hard for a successor, no matter how committed he might be to the overthrow of Aden, to abrogate the agreement and resume the war.

In the meantime, Prime Minister al-Ayni has left Cairo en route to Algeria. He will stop over in Libya before returning to Sana to face his critics. [redacted]

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India-Pakistan

NO DELINEATION, NO WITHDRAWAL

Failure to agree on where the line of control runs through Kashmir continues to delay mutual troop withdrawals two months after the deadline set by President Bhutto and Prime Minister Gandhi last summer at Simla. At that time the Indians and Pakistanis agreed that their forces would pull back to the border except in Kashmir, where both sides would continue to occupy the territory they held when the cease-fire went into effect last December. New Delhi later made its withdrawal conditional on the delineation of the line of control in the disputed state.

The Pakistanis are anxious to have the Indians withdraw from the relatively large

area they now occupy south of Kashmir and have acquiesced in Indian claims on several parts of the Kashmir line. The only current disagreement is over an area of one and a half square miles. The Pakistanis believe that if they withdraw from this particular area, they would establish a precedent for Indian demands that Pakistan also give up the only significant territorial gain they made during the 1971 war. Moreover, the Pakistanis may well suspect that should they give in on this point, the Indians will find another reason to delay the troop withdrawals. [redacted]

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IRAN: CLOUDS ON THE HORIZON

The country currently is enjoying its greatest economic boom, with oil revenues skyrocketing and real gross national product up about 14 percent last year. At the same time, Tehran is confronted with rising unemployment and widespread underemployment, a far cry from the Shah's hopes for full and meaningful employment. The International Labor Organization recently reported that the situation probably will worsen, particularly in urban areas.

Although the government contends for public consumption that the unemployment rate is no more than four percent, it is clear that the percentage of potential workers without jobs is considerably higher. Officials [] admit to an 11-12 percent unemployment rate in urban areas, and it has been estimated that roughly one fifth of the entire labor force is either unemployed or underemployed.

Despite prospects for continued rapid economic growth, urban unemployment probably will continue to rise. The government estimates that some 1.5 million new workers will enter the labor market during the five-year period beginning next March. The number of marginally



Marginally Employed Workers



Rural workers moving to city in search of work.

employed rural workers who will flock to the cities in search of jobs will continue to grow. Only a small number of young people will be absorbed into the expanded education programs that the government is arranging.

Although fixed investment in the economy is scheduled to more than double during the next five years, experience suggests that this will not provide the jobs needed. Much of the new investment in industry, and to some extent in agriculture, will go into capital-intensive projects where only very limited numbers of new job opportunities will be created.

Rising unemployment could increase social and political discontent at a time when the Shah already is facing sporadic dissidence in urban centers. Discontent probably will continue to be largely unorganized; Iranian labor unions and political parties are little more than showpieces. It does, however, provide an exploitable issue for foreign interests as well as domestic dissident groups. []

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DAHOMY: STILL ANOTHER

The junior army officers who last week overthrew the three-president civilian government that had ruled Dahomey since 1970 are established in power and seem determined to stay for some time. Although no major policy shifts appear imminent, the new junta will perhaps be more nationalistic than previous Dahomey governments.

The well-planned coup, Dahomey's sixth since 1963, was accomplished quickly by key army units from a garrison near the capital. There was no bloodshed. President Ahomadegbe, who took over last May as head of the ruling three-man Presidential Council, and his cabinet members were taken together in the presidential palace. Almost simultaneously, the radio station was seized, and prearranged statements were broadcast by the coup leader, Major Mathieu Kerekou, condemning the ousted civilian government and announcing the formation of a "revolutionary" military government. Governmental corruption, particularly a recent financial scandal involving the former finance minister, was billed as the motivating factor.

The new cabinet, composed of majors and captains, includes members from the country's competing ethnic groups and regions. Several, including Kerekou himself, are veterans of previous coup plots. Some senior civilian officials have been retained by the new government, and more civilians, particularly those with needed expertise, are likely to be added later.

Kerekou told the French ambassador that Dahomey's senior military officers would not be given posts in the new government nor allowed to remain in the army. Most of these senior officers have figured in past military take-overs, but had no hand in this one. Kerekou realizes the continuing threat to his regime from the ever-scheming senior men and plans to place them in comfortable sinecures. Two Presidential Council members and the cabinet are being detained pending

investigation of their official activities and possible prosecution on charges of corruption.

Kerekou moved quickly to smooth relations with France, whose aid helps keep Dahomey afloat. He asked that President Pompidou not cancel his trip to Dahomey scheduled for late November. The French responded with a warm message from Pompidou, postponing but not canceling the visit. When meeting with the US ambassador a few days after the coup, Major Kerekou appealed for continued US aid for current transportation and telecommunications projects. The



Major Mathieu Kerekou

new leader has also moved to ensure good relations with his immediate neighbors; delegations visited Nigeria and Togo on 30 October and a similar delegation may soon visit Upper Volta. One nearby state that is distinctly displeased by the coup is relatively wealthy Ivory Coast, which provides some financial support to an economic grouping of states to which Dahomey belongs. The Ivorian President has voiced his displeasure with this latest evidence of Dahomey's instability.

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CHILE: NO REST FOR THE WEARY

As President Allende completes the first third of his six-year term this week, his attempt to socialize Chile using democratic ground rules is in disarray. His most recent challenge, the worst so far, has been a three-week protest shutdown. Allende's own overriding aim, his grasp on the presidency, has been served by the support given him by the armed services in the face of the shutdown. He has responded to the fluctuating but widely effective protests by mobilizing military and volunteers under a state of emergency to maintain order and most essential services and supplies, but the long-range effect will be considerable, especially on the ailing economy.

Allende's handling of the shutdown at first elicited grudging admiration from his Communist and Socialist advisers. Then, after the President negotiated a truce on 27 October with the tiring strike leaders, the uncompromising Socialists refused to go along. They argued that time was on the side of the government and that compromises were therefore unacceptable. On 28 October, Allende suffered another of his periodic attacks of low blood pressure and the Socialists probably took advantage of this to press their position. Negotiations were later resumed but again fell through on 2 November, just as moderates on both sides were announcing that agreement was at hand.

Allende has hoped to salvage from the situation a cabinet more to his liking. For months, he

has reportedly wanted a cabinet composed essentially of military officers and technicians. He felt that such a team, especially during the period leading to the legislative elections on 4 March, would reduce the government's inefficiency and corruption, lower political tensions, and make him less vulnerable to the pressures from coalition politicians. The need for a cabinet reorganization was hastened by the resignations of two ministers to meet electoral filing deadlines and by impeachment charges brought in Congress against these men and two others for allegedly going beyond their constitutional powers. The entire cabinet has now resigned to give Allende a free hand in dealing with this problem.

The President has had difficulty, however, carrying out his plan for military participation. The chiefs of the armed services are divided over the advisability of military participation in the government. Some fear that the political advantages to Allende would outweigh the influence that could be brought to bear to moderate his policies. The Communists reportedly believe that officers in unimportant posts would strengthen the government and some Socialists are inclined to agree despite their lack of enthusiasm for the scheme.

If Allende's illness and fatigue persist and he carries out his plan to seek some respite by making a trip abroad in this unsettled period, the pre-electoral truce, which moderates in government and opposition hope for, will be hard to find.

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